

PHILIP MORRIS MANAGEMENT CORP. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, N.Y. 10017

TO: Please see below

DATE: June 8, 1987

FROM: Fredric S. Newman

SUBJECT: Products Liability Reform -- New Jersey

PRIVILEGED & CONFIDENTIAL

The New Jersey Senate passed today the comprehensive product liability reform bill we have been supporting during the past 18 months. We are optimistic that the Assembly will adopt a conforming bill and reasonably optimistic that the Governor will sign it before the end of the summer.

The bill represents a major revision of New Jersey law. It contains many provisions limiting causes of action based on defective products. Those of particular importance to Philip Morris are these:

- A manufacturer or seller will not be liable in the typical product liability case if the harm alleged results from an inherent characteristic of the product that is known to the ordinary consumer.
- The bill also provides limitations regarding claims based on inadequate warnings.
- The "risk utility" test for determining whether or not a product is defective is repealed.
- Punitive damages should be awarded only in cases of egregious conduct.
- The new law will apply to pending cases in certain respects but not to the extent that pending cases should automatically be dismissed.

PLEASE keep this information and last week's note about Texas confidential. Anything can happen until a bill has been signed into law.

Fred

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